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Australia

Trade Policy Monitoring

U.S. and Australia Announce FTA Negotiations

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Report Highlights:

The United States and Australia have announced an intent to negotiate a bilateral free trade agreement. Agricultural issues will likely be an important component of these talks.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Canberra [AS1], AS

U.S. Trade Representative Robert Zoellick and Australian Prime Minister John Howard announced in Australia on November 14, 2002 that the United States and Australia would begin negotiations on a free trade agreement. On November 13, President Bush provided Zoellick with the statutory authority to notify Congress of the Administration's intent to enter into negotiations with Australia. Zoellick notified Congress in writing, which will permit formal FTA negotiations to commence after a 90-day period.

In the notifying letters to the U.S. Senate and House, Zoellick wrote:

"We recognize that an FTA with Australia is of particular interest and concern to the U.S. agricultural community. Making progress on a number of issues of concern to U.S. agriculture will be essential for the successful conclusion of these negotiations. In this regard, we will work hard to facilitate the export of U.S. food and agricultural products to the Australian market and to address the full range of issues facing U.S. agricultural exports. As an example, several U.S. agriculture interests have raised serious concerns about Australia's use of sanitary and phytosanitary (SPS) measures as a means of restricting trade. We have held extensive and detailed discussions with Australia on SPS issues throughout the past year to discuss these concerns. We have made progress on specific issues, including the opening of the Australian market to U.S. table grapes. In addition, we and Australia have agreed that SPS measures must be based on science and be fully transparent. We fully intend to continue these discussions on SPS issues even as we move forward with FTA negotiations.

In the light of the concerns that U.S. agricultural interests have raised in accordance with the requirements of the Trade Act, we are immediately requesting a report from the U.S. International Trade Commission on sensitive agricultural products. In addition, we will consult closely with the Congress and the U.S. agricultural community in developing our positions on agricultural issues and during the negotiations."

In the letters to Congress, Zoellick also outlines specific U.S. objectives for agriculture in future negotiations with Australia including:

- eliminating tariffs and other duties on the broadest possible basis;
- eliminating Australia's export monopoly arrangements for wheat, barley, sugar, rice;
- eliminating Australian government practices that adversely affect U.S. exports of perishable or cyclical agricultural products, while improving U.S. import relief mechanisms as appropriate;
- having Australia reaffirm its WTO commitments on SPS measures and eliminate any unjustified SPS restrictions; and
- strengthening cooperation between U.S. and Australian SPS authorities.

Australia had pushed for some time to enter into free trade negotiations with the United States. Australia only recently announced the completion of a FTA with Singapore and the start of FTA negotiations with Thailand. Australia entered into a Closer Economic Relation Trade Agreement with New Zealand in 1983.

Australia's agricultural trade interests in the context of a FTA will likely center on access for Australian sugar, meat, cotton and dairy products into the U.S. market. Australia, as leader of the Cairns Group of agricultural producing and exporting countries, has also called for the elimination of trade-distorting domestic support and export subsidies in ongoing WTO agriculture negotiations.

Australia maintains a conservative and very stringent quarantine system for imported agricultural products. These requirements have precluded or restricted access for many products of export interest to the United States and Australia's other trading partners. Australia argues that the measures in place are necessary to maintain the country's high overall "level of protection," are science-based, and are consistent with Australia's commitments in the WTO's SPS Agreement.

As regards Australia's export monopolies, the government has made recent moves away from these types of arrangements. However, Australia's exports for certain major agricultural commodities continue to be controlled by government-sanctioned monopolies. The Australian Wheat Board, Ltd. and its exclusive control of Australia's bulk wheat exports is perhaps the most significant example in this regard.

Australia's applied import tariffs for agricultural products are generally quite low or non-existent. Australia's primary agricultural imports from the United States mostly enter duty-free or are assessed duties up to about five percent ad valorem.

U.S.-Australian trade in agricultural products is significant. In 2001, Australia's exports of agricultural and forestry products to the United States totaled A\$3.2 billion (US\$1.7 billion), of which more than 80 percent consisted of red meat and wine. Australia's imports of agricultural and forestry products from the United States in 2001 totaled A\$1.2 billion (US\$0.6 billion), consisting primarily of a variety of fresh and processed products.